FISCAL NOTE

SB 84 – HB 1647

February 26, 2007

SUMMARY OF BILL: Prohibits expenditure of state funds in the Revenue Shortfall Account (Rainy Day Fund) for expenditure requirements in excess of budgeted appropriation levels, expenditure of state funds by any entity of state government when such funds have been appropriated to a different entity, and expenditure of state funds in excess of funding that has been appropriated, unless and until the General Assembly has appropriated such funds.

ESTIMATED FISCAL IMPACT:

Increase State Expenditures – Exceeds $1,000,000

Other Fiscal Impact – The fiscal impact of this bill is dependent upon the General Assembly convening for special sessions to make appropriations for certain expansion funds or for approving the shift of funds among departments that share functions related to providing public benefits. If such special sessions were held, the increase to state expenditures is estimated to be $100,000 per week. If the General Assembly elected to not convene for such special sessions, the fiscal impact is two-fold: First, some expansion funds would be held in reserve until the General Assembly appropriates such funding in the subsequent session. This impact is dependent upon two unknown and offsetting factors: future rates of inflation and future interest earnings. A portion of state expenditures are price sensitive within a fiscal year (e.g. gasoline and certain utilities). It is estimated that any increase to state expenditures resulting from inflation would be offset by increased interest earnings resulting from a longer investment horizon on funds held in the state treasury. Therefore, this portion of the total fiscal impact is estimated to be not significant. Second, federal match funding for TennCare related expenditures is estimated to decrease by an amount exceeding $1,000,000 per year. This portion of the total fiscal impact would occur because certain departments would no longer be able to share funding despite sharing functions related to providing public benefits.

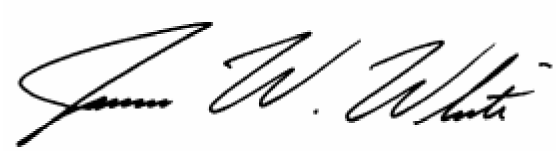
Assumptions:

- T.C.A. 9-4-211(a) (1) currently authorizes expenditures from the Rainy Day Fund for meeting unexpected shortfalls of revenue, or for meeting expenditure requirements in excess of the budgeted appropriation levels.

- Enactment of this legislation would limit the authority of the Commissioner of Finance and Administration to utilize Rainy Day funds only for revenue shortfalls.
- According to Finance and Administration (F&A), the Rainy Day Fund was utilized once (1991) due to a revenue shortfall of approximately $92.0 million. This occurred as a result of the 1991 recession. Rainy Day funds have not been utilized for any other purposes since 1991.
- Enactment of this bill could require the General Assembly to convene for special sessions for the purpose of appropriating certain expansion funds.
- The increase to state expenditures resulting from special sessions is estimated to be $100,000 per week.
- Enactment of this bill could delay certain expenditures normally funded with revenues obtained after the General Assembly adjourns.
- According to the Department of Human Services (DHS), their department works interchangeably with other state agencies and departments to provide public benefits. For example, DHS performs eligibility screening for TennCare. DHS claims this legislation would prohibit the department from receiving approximately $1,000,000 in funds from TennCare and other state agencies for services provided by DHS on the behalf of TennCare and other state agencies.
- The Department of Children Services, the Department of Health, Mental Health and Development Disabilities, Mental Retardation, and the Commission on Aging and Disability all receive funds from TennCare for services provided to TennCare.
- TennCare pays a significant portion of these expenditures with federal matching funds. As a result, federal funding received by TennCare in the future would be significantly reduced.
- If certain departments and agencies were no longer able to draw funds for services they provide to other departments and agencies, their departmental expenditures would increase significantly. Also, given TennCare would receive less federal funding in the future, their expenditures would increase proportionally as well. It is estimated that federal funding to TennCare would decrease by an amount exceeding $1,000,000 per year.
- According to Finance and Administration, the state's current bond rating could be jeopardized as a result of this legislation.

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.



James W. White, Executive Director